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ABSTRACT

The Maryland Health and Higher Educational Facilities Authority performs various functions including: issuing bonds and bond anticipation notes; fixing rates and collecting user rents and fees; constructing, acquiring, and maintaining institutional projects; contracting for operation and maintenance of projects; establishing rules and regulations for use of projects; and making construction loans to participating institutions. This annual report details the finances and operations of the Authority. The first sections of the report list authority members; bonds issued in fiscal 1996; and projects financed or refinanced. The financial statements include: a combined balance sheet; a combined statement of changes in trusteed funds balances; statements of operations and changes in general operating fund balances; statements of cash flows for the general operating fund; and notes to the financial statements. Lists of public bond and note offerings and private placements follow. (CH)

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PKINS UNIVERSITY • HOWARD

COUNTY GENERAL HOSPITAL

HOSPITAL • JAMES LAWRENCE

KERNAN HOSPITAL • FRANCIS

ERAL HOSPITAL • MARYLAND

INSTITUTE • MID-ATLANTIC LONG

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GENERAL HOSPITAL • MOUNT

H CHARLES GENERAL HOSPITAL

NORTHWEST HOSPITAL CENTER

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

THE AUTHORITY

The state of Maryland is extremely proud of its health care and higher educational institutions. In fact, the strength of these institutions is the foundation of our state's future.

At the Maryland Health and Higher Educational Facilities Authority, our mission is to assist certain non-profit institutions for higher education, as well as hospitals and related health care organizations in the areas of financing, construction and refinancing.

In an effort to ensure the viability of these institutions, the Authority is empowered to perform a variety of important functions of their behalf. These include but are not limited to the following:

- Issue bonds and bond anticipation notes.
- Fix, charge and collect rates, rents and fees for the use of projects and their services.
- Construct, reconstruct, acquire, maintain, repair, operate and lease projects for institutions.
- Enter into contracts for the operation and management of projects.
- Establish rules and regulations for the use of projects.
- Make loans to participating institutions for the construction or acquisition of projects.

The Authority consists of nine members including the Treasurer of the State of Maryland (ex officio) and eight members appointed by the Governor. All members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of duties.

As a public instrumentality working to support the financing, construction and refinancing of key institutional projects, the Maryland Health and Higher Educational Facilities Authority plays a vital role in improving the health and well being of our state.

MESSAGE FROM THE CHAIRMAN

The Maryland Health and Higher Educational Facilities Authority is pleased to report that it issued $204,439,000, of its revenue bonds on behalf of ten institutions, in twelve separate loans, for the year ended June 30, 1996. The Authority's Pooled Loan Program (Commercial Paper, Series C, Series D or Series E) accounted for five of these loans. As a point of comparison the Authority issued $44,501,891 in fiscal year 1995 to seven institutions, two of which were through the Authority's Pooled Loan Program.

In twenty-six years the Authority has sold 192 issues amounting to $4.59 billion for hospitals, colleges, nursing homes and continuing care retirement communities. At year end, the Authority's 94 outstanding issues (62 public and 32 private placements) amounted to $2.3 billion.

Included in that outstanding amount is the Authority's Pooled Loan Program, Series 1985A and Series 1985B, a revolving loan program which continues to be a major success. At June 30, 1996 approximately $132 million was outstanding, representing thirteen loans to eight institutions, with $5 million committed but not yet drawn. This pool includes two loans closed this year, totalling $13.125 million, one each to a college and health care institution. An existing loan to a health care institution was restructured to provide for an additional $8 million. Since its inception in July, 1984 seventy-one loans, totalling over $334 million, representing thirty-five institutions, including five institutions of higher education, have been made.

After thirteen years of service, Donald P. Carter retired as Executive Director of the Authority. During his tenure the Authority grew in size and stature, assisting many important Maryland institutions in financing and refinancing their expansion projects at the least cost to Maryland citizens, according to the mandate of our enabling legislation. All the Members of the Authority and its staff join me in thanking Mr. Carter for his many years of service, as we wish him well in retirement.

In June of this year, Governor Glendening appointed me to succeed Paul Meritt as Chairman of the Authority. I had served as Vice Chairman during Paul's tenure for seven and one-half years. The Governor then designated Mr. Meritt as Vice Chairman. I look forward to continuing to work with Paul in our new roles, and want to thank him for his commitment to the people of Maryland through his thirteen years of leadership as the Authority's Chairman. During his and Don Carter's tenure the Authority enjoyed a national reputation for quality.

In August 1996 Ms. Annette Anselmi took over as the Authority's Executive Director. She comes to the Authority from the Maryland Environmental Service where she had served as Director of Administration and Finance, and Treasurer. The Authority considers itself fortunate to have been able to find a person of her qualification and experience in government, management and finance to lead the Authority into the future.

As the worlds of health care and higher education both adapt to quickly changing conditions, the Maryland Health and Higher Educational Facilities Authority will strive to continue to provide financing mechanisms to serve our state by helping to meet the needs of its distinguished medical and educational institutions.

I am pleased to be the new Chairman of the Authority and I intend to work decisively with the Authority in providing financing mechanisms that meet the needs of health care and higher educational institutions in the changing service environment of the 1990s.

The Maryland Health and Higher Educational Facilities Authority herewith submits its Annual Report for the fiscal year ended June 30, 1996 and its financial statement as audited by Coopers & Lybrand LLP.

Sheila K. Riggs
Chairman

AUTHORITY MEMBERS

AUTHORITY STAFF:

Annette Anselmi
Executive Director

David M. Kaufman
Assistant to the Director

Charles N. Saunders
Projects Coordinator

Constance L. McCready
Programs Administrator

Barbara A. Nichols
Administrative Assistant

Patricia A. Conn
Administrative Assistant

Stephanie E. Taylor
Administrative Secretary

AUTHORITY CONSULTANTS:

Piper & Marbury
Bond Counsel

Killarney Advisors, Incorporated
Financial Advisor

Coopers & Lybrand L.L.P.
Independent Accountants

Sheila K. Riggs,
Chairman

Term as member expires July 1, 1998; resident of Baltimore City; former Chairman of the Board — Greater Baltimore Medical Center; Director — Provident Bank of Maryland; Member — Executive Council and Chairman of Council on Quality Health Care — Maryland Hospital Association; Co-Chairman — Baltimore Council on Foreign Affairs; Trustee — Maryland Institute College of Art, Maryland Academy of Sciences.

Paul B. Meritt,
Vice Chairman

Term as member expires July 1, 1999; resident of Baltimore County; Vice President — Mercantile-Safe Deposit and Trust Company; and Member — Maryland Capital Debt Affordability Committee and Maryland Commission on State Debt.

Richard N. Dixon,
Ex officio

Resident of Carroll County; Treasurer of the State of Maryland; Chair — Capital Debt Affordability Committee; Chair — Commission on State Debt; Vice Chairman — Board of Trustees of the Maryland State Retirement and Pension Systems; Member — Maryland Board of Public Works; and Trustee — Middle States Association of Colleges and Schools.

Paige T. Davis
Member

Term expires July 1, 1998, resident of Howard County; Vice President — The Variable Annuity Marketing Company; and Regional Manager — The Variable Annuity Life Insurance Company; and Vice Chairman — Morgan State University Foundation.

Thomas E. Dobyns, J.D.,
Member

Term expires July 1, 1996; resident of Howard County; Principal — Thomas Dobyns Attorney at Law, Columbia, Maryland; Of Counsel — Marx and Krame, Washington, D.C.; Director — Maria A. Dobyns, M.D., P.A.; Member — Health Law Forum Committee and Affordable Housing and Community Development Law Forum Committee of the American Bar Association, Health Law Section of the District of Columbia Bar, Health Law Section of the Maryland State Bar Association, Habitat for Humanity and Society of St. Andrew; and Advisor — Mercy Southern Health Center.

Leonard I. Frenkil, J.D.,
Member

Term expires July 1, 2000; resident of Baltimore City; President — Empire Construction Company; Director — Boy Scouts of America and Linwood Children's Center; and Member — Greater Baltimore Board of Realtors.

Robert D. H. Harvey,
Member

Term expires July 1, 2000; resident of Baltimore County; former Chairman of the Board — MNC Financial Corporation and Maryland National Bank; Chairman of the Board — Johns Hopkins Bayview Medical Center and Maryland Academy of Sciences; Director — American Capital Convertible Securities (Houston, Texas) and American Capital Bond Fund (Houston, Texas); and Trustee — The Johns Hopkins University.

Richard W. Phoebus, Sr.,
Member

Term expires July 1, 1997; resident of Washington County; President and Chief Executive Officer — Home Federal Savings Bank and Maryland General Insurance Agency, Inc.; and Director — Maryland Symphony Orchestra, Greater Hagerstown Committee, Washington County Health System, Inc., and Washington County Hospital Association.

Thomas J. S. Waxter, Jr.
Member

Term expires July 1, 1999; resident of Baltimore City; Partner — Semmes, Bowen & Semmes; former member Maryland House of Delegates, Baltimore City Charter Revision Commission, Baltimore City Council, and Governor's Commission on Liability Insurance; First Vice-President of Park West Medical Center; Director — Provident Bank of Maryland; and Chairman of the Board — Hearing and Speech Agency.

** By the terms of the Act, members continue to serve until their successors are appointed.*

Fiscal Year 1996 Issues

Public Offerings	$ 90,025,000
Private placements	82,900,000
Pooled Loan Program—Series C	13,764,000
Pooled Loan Program—Series D	12,360,000
Pooled Loan Program—Series E	5,390,000
	204,439,000

HOSPITAL FINANCINGS

$17,600,000 KAISER PERMANENTE REVENUE BONDS, 1995 SERIES A

A limited offering to refund the authority's $24,000,000 Kaiser Permanente Medical Care Program Issue, series 1985.

$10,000,000 GREATER BALTIMORE MEDICAL CENTER ISSUE, SERIES 1995

A private placement to finance renovation, chiller acquisition, major movable equipment purchases and the acquisition, construction and equipping of a community health center.

$64,900,000 HELIX HEALTH HOSPITALS ISSUE, SERIES A

A private placement to finance construction, renovation and equipment acquisitions for Church Hospital. Franklin Square Hospital, Good Samaritan Hospital, Harbor Hospital and Union Memorial Hospital.

$42,425,000 THE JOHNS HOPKINS MEDICAL INSTITUTIONS PARKING FACILITIES ISSUE, SERIES 1996

A public offering to refinance the Authority's $5,450,000 Johns Hopkins Hospital Issue (Parking Facility for Phase I-A of The Johns Hopkins Hospital Redevelopment Program, Series B, and $8,400,000 Johns Hopkins Hospital Issue (Parking Facilities for The Johns Hopkins Hospital), Series 1984A, and to finance renovations to existing parking facilities and to acquire and to construct certain additional parking facilities.

$30,000,000 MERCY MEDICAL CENTER ISSUE, SERIES 1996

A public offering to refinance the authority's $6,500,000 Mercy Medical Center Issue, Series 1994 and to finance capital renovation projects and equipment acquisitions for fiscal years 1995 through 1999.

COLLEGE FINANCING

$8,000,000 CAPITOL COLLEGE ISSUE, SERIES 1995

A private placement to refinance the authority's $7,025,000 Capitol College Issue, series 1993, and to finance the construction of a library.

POOLED LOAN PROGRAM FINANCINGS

SERIES C

$13,764,000 POOLED LOAN PROGRAM REVENUE NOTES (THE JOHNS HOPKINS HOSPITAL) COMMERCIAL PAPER NOTES, SERIES C

An additional draw made to acquire major moveable equipment. As of June 30, 1996 the hospital has drawn $33,384,000 of a $40,000,000 commitment.

SERIES D

$2,645,000 CALVERT MEMORIAL HOSPITAL OF CALVERT COUNTY

Additional draws were made to finance the acquisition and installation of a management information system and a CT scanner and new radiology and fluoroscopy room. As of June 30, 1995 the hospital has drawn all of its commitment.

$2,080,000 ANNE ARUNDEL MEDICAL CENTER

This loan financed the acquisition of property and the renovation of the improvements, including a four-story office building. The total commitment of $2,080,000 was drawn as of June 30, 1996.

$3,290,000 WASHINGTON COUNTY HOSPITAL ENDOWMENT FUND

This loan financed the construction of a two-story medical office building. As of June 30, 1996 the hospital has drawn $3,290,000 of a $4,475,000 commitment.

$4,345,000 GOUCHER COLLEGE

Additional draws were made to finance the construction of a heating and cooling plant, installation of windows and a fiber optic network, various other capital improvements and the acquisition of equipment. As of June 30, 1996 the college has drawn $7,950,000 of an $11,000,000 commitment.

SERIES E

$5,390,000 WASHINGTON COUNTY HOSPITAL ENDOWMENT FUND

This loan financed taxable costs of the construction of a two-story medical office building. As of June 30, 1996 the hospital has drawn $5,390,000 of a $7,500,000 commitment.

PROJECTS FINANCED/ REFINANCED

	INSTITUTION – SERIES
1	Union Memorial Hospital Issue, Series A
2	Johns Hopkins University Issue (Applied Physics Laboratory Project), Series A
3	Johns Hopkins Hospital Issue, Series A
4	Peninsula General Hospital Issue, Series A
5	Johns Hopkins University Issue (Hampton House, Dormitory & Equipment Project), Series A
6	Sinai Hospital Issue, Series A
7	Kent and Queen Anne's Hospital Issue, Series A
8	Johns Hopkins University Issue (Biology Complex Stage I, Associated Improvements & Chiller Project), Series A
9	Franklin Square Hospital Issue, Series A
10	Johns Hopkins Hospital Issue (Parking Facility for Phase 1-A of The Johns Hopkins Hospital Redevelopment Program), Series A
11	Loyola College Issue (Student Apartment Project), Series A
12	North Charles General Hospital Issue, Series A
13	Peninsula General Hospital Issue, Series 1977
14	South Baltimore General Hospital Issue, Series A
15	Suburban Hospital Issue, Series A
16	Johns Hopkins University Issue (Applied Physics Laboratory Project), Series B
17	Mercy Hospital Issue, Series A
18	Sheppard and Enoch Pratt Hospital Issue, Series A
19	Greater Baltimore Medical Center Issue, Series A
20	Howard County General Hospital Issue, Series A
21	Johns Hopkins Hospital Issue, Series 1978
22	Mount Saint Mary's College Issue (Student Housing Project), Series A
23	Johns Hopkins University Issue (School of Medicine Project), Series A
24	Anne Arundel General Hospital Issue, Series A
25	Johns Hopkins Hospital Issue (Parking Facilities for The Johns Hopkins Hospital), Series 1979
26	Union Memorial Hospital Issue, 1979 Series (Subordinated)
27	The Johns Hopkins Hospital Redevelopment Issue, 1979 Series
28	Homewood Retirement Center Issue, Series A
29	Anne Arundel General Hospital Issue, Series B
30	Union Hospital of Cecil County Issue, Series A (HEW Guaranteed Collateral)
31	Baltimore County General Hospital Issue, Series A
32	Sinai Hospital Issue, 1979 Series
33	Loyola College Issue (Athletic Facilities Project), Series A
34	Loyola College Issue (Student Apartment Project), Series B
35	The Johns Hopkins University Issue (Equipment Financing), Series 1981A
36	Washington County Hospital Issue, Series A
37	Maryland General Hospital Issue (Equipment Financing), Series 1981A
38	Johns Hopkins University Issue, Series 1981
39	Physicians Memorial Hospital Issue (Equipment Financing), Series 1981A
40	Maryland Institute Issue, Series A
41	Johns Hopkins University Issue, Series A
42	Johns Hopkins University Issue (Applied Physics Laboratory Project), Series C
43	Sacred Heart Hospital Issue (Equipment Financing), Series 1981A
44	Homewood Retirement Center Issue, Series B
45	Montgomery General Hospital Issue (Equipment Financing), Series 1981
46	Loyola College Issue, Series A
47	Memorial Hospital at Easton Issue, Series A
48	Hospital Equipment Loan Program Issue, Series 1982A
49	Sacred Heart Hospital Issue (Equipment Financing), Series 1982A
50	Mt. Washington Pediatric Hospital Issue, Series A
51	Johns Hopkins Hospital Issue (Parking Facilities for The Johns Hopkins Hospital), Series 1982
52	Mount Saint Mary's College Issue (Equipment Financing), Series 1982A
53	Memorial Hospital of Cumberland Issue, Series A
54	Johns Hopkins University Issue (Applied Physics Laboratory Project), Series D
55	Johns Hopkins University Issue, Series 1982A
56	Roland Park Place Issue, Series A
57	Brook Lane Psychiatric Center Issue (Equipment Financing), Series 1982A
58	Church Hospital Issue, Series A
59	Loyola College Issue, Series 1983A
60	Johns Hopkins University Issue, Series 1983
61	Johns Hopkins Hospital Issue, Series 1983A
62	Capitol Institute of Technology Issue, Series A
63	Johns Hopkins University Issue, Series 1983A (2nd Supplemental Note Resolution)
64	Memorial Hospital at Easton Issue, Series 1983
65	Children's Hospital Issue, Series A
66	Union Memorial Hospital Issue, Series 1983A

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Date Sold	Type of Sale	Ratings			Amount	
		Fitch's	Moody's	S&P		
April 5, 1973	Public		A	A	$ 23,500,000	Defeased
January 14, 1975	Private				2,400,000	Matured
February 10, 1975	Private				24,000,000	Refinanced
October 23, 1975	Public		A	A	28,260,000	Defeased
December 2, 1975	Private				3,900,000	Matured
April 6, 1976	Private				5,500,000	Refinanced
October 27, 1976	Private				650,000	
December 7, 1976	Private				4,700,000	Refinanced
February 2, 1977	Public		A	A	24,885,000	Defeased
August 2, 1977	Private				5,450,000	Refinanced
September 6, 1977	Private				1,150,000	
October 4, 1977	Public		A	A-	13,200,000	Defeased
November 18, 1977	Public		A	A	33,475,000	Defeased
January 6, 1978	Private				6,000,000	Matured
June 28, 1978	Public		A1	A	10,030,000	Defeased
July 6, 1978	Private				3,500,000	Matured
August 14, 1978	Private		A	A	8,250,000	Defeased
October 24, 1978	Private				6,500,000	Matured
November 6, 1978	Public		A-1	A	6,045,000	Defeased
November 21, 1978	Public		Baa	BBB	15,290,000	Defeased
December 5, 1978	Private				8,000,000	Refinanced
December 18, 1978	Private				3,000,000	
March 26, 1979	Private				12,200,000	
May 1, 1979	Private				2,500,000	Matured
June 11, 1979	Private				4,350,000	Refinanced
June 11, 1979	Private				2,163,000	Matured
July 24, 1979	Public		Aa	AA-	100,500,000	Defeased
August 7, 1979	Private				3,000,000	
September 11, 1979	Private				2,500,000	Refinanced
September 11, 1979	Credit Enhanced-Private		Aaa		4,585,000	Refinanced
November 6, 1979	Public		A	A	22,440,000	Defeased
November 20, 1979	Public		A-1	A+	30,240,000	Defeased
December 13, 1979	Private				1,300,000	Matured
February 22, 1980	Private				2,950,000	Matured
February 9, 1981	Private				380,000	Matured
February 20, 1981	Public		A	A	22,095,000	Defeased
March 3, 1981	Private				815,000	Matured
May 5, 1981	Private				9,000,000	Refinanced
May 5, 1981	Private				320,000	Matured
August 4, 1981	Private				1,000,000	Matured
September 2, 1981	Private				24,000,000	Refinanced
October 6, 1981	Private				3,250,000	
October 6, 1981	Private				800,000	Matured
November 3, 1981	Private				5,975,000	
December 1, 1981	Private				1,500,000	Matured
January 11, 1982	Private				11,800,000	Refinanced
February 19, 1982	Public		A	A	11,095,000	Defeased
March 11, 1982	Public			AAA	30,645,000	Matured
March 11, 1982	Private				1,000,000	Matured
May 4, 1982	Private				220,000	Matured
May 4, 1982	Private				3,920,000	Refinanced
June 1, 1982	Private				175,000	Matured
June 17, 1982	Public		A	A-	20,785,000	Defeased
July 6, 1982	Private				7,000,000	
August 18, 1982	Private				48,000,000	Refinanced
August 18, 1982	Public		N/R	N/R	34,500,000	Defeased
December 15, 1982	Private				125,000	Matured
December 16, 1982	Public		A	A	20,420,000	Defeased
January 16, 1983	Private				12,600,000	Refinanced
February 3, 1983	Public		Aa1	AA+	52,870,000	Partially Defeased
April 21, 1983	Private				9,300,000	Refinanced
June 7, 1983	Private				4,000,000	Refinanced
June 30, 1983	Private				5,200,000	Refinanced
July 7, 1983	Public		A	A	13,365,000	Defeased
September 6, 1983	Private				1,200,000	Matured
November 1, 1983	Private				6,000,000	Refinanced

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PROJECTS FINANCED/ REFINANCED

	INSTITUTION – SERIES
67	Loyola College Issue, Series 1984A
68	Edenwald Issue, Series A
69	University of Maryland Medical System Issue, Series A
70	Greater Baltimore Medical Center Issue, Series 1984A
71	Howard County General Hospital Issue, Series 1984
72	Johns Hopkins Hospital Issue (Parking Facilities for The Johns Hopkins Hospital), Series 1984A
73	Washington County Hospital Association Issue (Equipment Financing), Series 1984
74	Loyola College Issue, Series 1984B
75	St. Mary's Hospital of St. Mary's County Issue (Equipment Financing), Series 1984A
76	Homewood Retirement Center Issue, Series 1984A — Additional Bonds
77	Sinai Hospital Issue, 1984 Series
78	North Charles General Hospital Issue, Series 1984
79	Pooled Loan Program Issue, Series 1984A
80	Capitol Institute of Technology Issue, Series B
81	Johns Hopkins University Issue, Series 1985A
82	Roland Park Place Issue, Series 1985
83	Wyman Park Health System Issue, Series A
84	Johns Hopkins University Issue, Series 1985B
85	Johns Hopkins University Issue (APL/STScI Project), Series 1985
86	Kaiser Permanente Medical Care Program Issue, Series 1985
87	Johns Hopkins University Issue, Series 1985A
88	Loyola College Issue, Series 1985
89	University of Maryland Medical System Issue, Series A — Additional Bonds
90	Mount Saint Mary's College Issue, Series 1985
91	Union Memorial Hospital Issue, Series 1985
92	Deaton Hospital and Medical Center Issue, Series A
93	Johns Hopkins University Issue (APL/Building 13 Project), Series 1985
94	MFI Corporation Issue (Melwood Farm Project), Series 1985
95	Pooled Loan Program Issue, Series 1985A and Series 1985B
96	St. Agnes Hospital of the City of Baltimore Issue, Series A
97	Collington Episcopal Life Care Community Issue, Series 1986A
98	Collington Episcopal Life Care Community Issue, Series 1986B
99	Greater Baltimore Medical Center Issue, Series 1986
100	Edenwald Issue, Series 1986 (1993 Crossover)
101	Howard County General Hospital Issue, Series 1987
102	Washington County Hospital Issue, Series 1987
103	Bon Secours Heartlands Issue, Series 1987A
104	Harford Memorial Hospital and Fallston General Hospital Issue, Series 1987
105	Memorial Hospital of Cumberland Issue, Series 1987
106	St. Agnes Hospital Issue, Series 1987
107	Suburban Hospital Issue, Series 1988
108	Anne Arundel General Hospital Issue, Series 1988
109	Johns Hopkins University Issue, Series 1988
110	Capitol College Issue, Series 1988
111	Howard County General Hospital Issue, Series 1988
112	Church Hospital Issue, Series 1988
113	North Arundel Hospital Issue, Series 1988
114	Baltimore County General Hospital Issue, Series 1988
115	The Johns Hopkins Hospital Issue, Series 1988
116	Pooled Loan Program, Commercial Paper, Series A
117	Pooled Loan Program, Commercial Paper, Series B
118	Franklin Square Hospital Issue, Series 1989
119	Mercy Medical Center Issue, Series 1989
120	Medlantic Long-Term Care Corporation Issue, Series 1989
121	Good Samaritan Hospital Issue, Series 1989
122	Roland Park Place Issue, Series 1989
123	Memorial Hospital at Easton Issue, Series 1989A
124	Memorial Hospital at Easton Issue, Series 1989B
125	Broadmead Issue, Series 1989
126	Holy Cross Hospital Issue, Series 1990-A
127	Sinai Hospital of Baltimore Issue, Series 1990
128	The Johns Hopkins Hospital Issue, Series 1990
129	Francis Scott Key Medical Center Issue, Series 1990
130	Francis Scott Key Medical Center Issue, Series A
131	Doctor's Community Hospital Issue, Series 1990
132	Baltimore County General Hospital Issue, Series 1991

Date Sold	Type of Sale	Ratings			Amount	
		Fitch's	Moody's	S&P		
January 13, 1984	Private				12,400,000	Refinanced
January 26, 1984	Public		N/R	N/R	$ 35,670,000	Defeased
February 14, 1984	Private				7,050,000	Defeased
March 8, 1984	Private				4,300,000	Refinanced
March 8, 1984	Public		A	A−	9,365,000	Defeased
April 3, 1984	Private				8,400,000	Refinanced
April 3, 1984	Private				1,525,000	Matured
May 1, 1984	Private				14,400,000	Refinanced
May 1, 1984	Private				430,000	Matured
June 18, 1984	Private				1,500,000	
June 18, 1984	Private		A-1	A+	8,700,000	Defeased
June 20, 1984	Public		Baa-1	BBB	7,920,000	Prepaid
July 9, 1984	Public		AAA		50,000,000	Refinanced
August 7, 1984	Private				1,300,000	Refinanced
January 11, 1985	Private				16,100,000	
February 28, 1985	Public		N/R	N/R	33,450,000	Defeased
February 28, 1985	Private				3,500,000	Defeased
May 9, 1985	Private				14,000,000	Defeased
June 4, 1985	Private				10,400,000	
August 8, 1985	Public			AA	24,000,000	Refinanced
August 22, 1985	Public		Aa-1	AA	181,019,073	Partially Defeased
September 26, 1985	Credit Enhanced-Public		Aaa/VMIG-1	A-1+	35,500,000	
September 26, 1985	Private				21,150,000	Defeased
November 7, 1985	Credit Enhanced-Public			AAA	8,520,000	Matured
November 14, 1985	Public		A	A	17,820,000	Defeased
December 23, 1985	Private				15,600,000	
December 23, 1985	Private				15,000,000	
December 23, 1985	Private				1,769,000	Prepaid
December 23, 1985	Credit Enhanced-Public		AAA		175,000,000	
July 8, 1986	Private				5,500,000	Refinanced
September 18, 1986	Public		N/R	N/R	35,225,000	Defeased
September 18, 1986	Private				9,159,000	Matured
November 20, 1986	Public		A-1	A	38,330,000	Partially Defeased
December 18, 1986	Public		N/R	N/R	26,990,000	Defeased
January 22, 1987	Public		Baa1	BBB	20,210,000	Defeased
April 9, 1987	Credit Enhanced-Public		Aaa	AAA	21,340,000	Partially Defeased
July 23, 1987	Credit Enhanced-Public		Aaa/VMIG-1	AA+/A-1+	10,000,000	Matured
July 24, 1987	Public		Baa1		26,900,000	
September 11, 1987	Public		Baa1		24,555,000	Partially Defeased
December 16, 1987	Private				34,000,000	
January 21, 1988	Public		A-1	A	18,480,000	Partially Defeased
February 25, 1988	Public		A	BBB+	18,670,000	Defeased
February 25, 1988	Public		Aa1	AA	210,405,000	
March 10, 1988	Private				7,250,000	Refinanced
March 10, 1988	Public		Baa1	BBB	8,300,000	Defeased
March 17, 1988	Public		A	A−	20,135,000	
June 9, 1988	Credit Enhanced-Public		Aaa	AAA	30,235,000	Partially Defeased
September 1, 1988	Credit Enhanced-Public		Aaa	AAA	20,160,000	Partially Defeased
November 17, 1988	Public		Aa	AA−	69,435,000	
March 14, 1989	Credit Enhanced-Public		P-1		49,466,000	
March 14, 1990	Credit Enhanced-Public		P-1		21,512,000	
March 16, 1989	Credit Enhanced-Public		Aaa	AAA	29,277,714	
March 22, 1989	Public		Baa1	A−	30,095,000	Defeased
June 30, 1989	Private				3,800,000	
September 8, 1989	Public		Baa	A−	25,230,000	Defeased
September 15, 1989	Public		N/R	N/R	35,420,000	
November 30, 1989	Credit Enhanced-Public		Aaa	AAA	9,035,000	
November 30, 1989	Credit Enhanced-Public		Aaa	AAA	25,520,000	
December 7, 1989	Public		N/R	N/R	14,000,000	
March 8, 1990	Credit Enhanced-Public		Aaa	AAA	33,105,000	Defeased
May 3, 1990	Credit Enhanced-Public		Aaa	AAA	70,180,000	
May 10, 1990	Public		Aa	AA−	90,168,914	Partially Defeased
July 19, 1990	Credit Enhanced-Public		Aaa	AAA	89,255,000	Partially Defeased
July 19, 1990	Private				10,000,000	Defeased
September 21, 1990	Public		Baa	BBB−	41,940,000	Defeased
February 28, 1991	Credit Enhanced-Public		Aaa	AAA	7,875,000	Partially Defeased

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PROJECTS FINANCED/ REFINANCED

	INSTITUTION – SERIES
133	The Union Memorial Hospital Issue, Series 1991A/Series 1991B
134	The Union Memorial Hospital Issue, Series 1991B
135	University of Maryland Medical System Issue, Series 1991A
136	University of Maryland Medical System Issue, Series 1991B
137	Kennedy Institute Issue, Series 1991
138	Greater Baltimore Medical Center Issue, Series 1991
139	The Johns Hopkins Hospital
140	Suburban Hospital Issue, Series 1992
141	Mercy Medical Center, Inc.
142	Memorial Hospital of Cumberland Issue, Series 1992
143	Pooled Loan Program, Commercial Paper, Series C
144	Carroll County General Hospital, Series 1992A
145	Union Hospital of Cecil County Issue, Series 1992
146	Washington County Hospital Endowment Fund Issue, Series 1992A
147	Washington County Hospital Endowment Fund Issue, Series 1992B
148	North Arundel Hospital, Series 1992B
149	North Arundel Hospital Issue, Series 1992
150	Mercy Medical Center Issue, Series 1993
151	Capitol College Issue, Series 1993
152	Anne Arundel Medical Center Issue, Series 1993
153	Leland Memorial Hospital, Series 1993A
154	Baltimore County General Hospital Issue, Series 1993
155	Good Samaritan Hospital Issue, Series 1993
156	The Johns Hopkins Hospital Issue, Series 1993
157	University of Maryland Medical System Issue, Series 1993
158	Sinai Hospital of Baltimore Issue, Series 1993
159	Francis Scott Key Medical Center Issue, Series 1993
160	Francis Scott Key Medical Center Issue, Series 1993
161	Doctors Community Hospital Issue, Series 1993
162	Montgomery General Hospital Issue, Series 1993
163	Greater Baltimore Medical Center Issue, Series 1993
164	General Electric Medical System Program Revenue Notes (Harbor Hospital Center)
165	Greater Baltimore Medical Center Issue, Series 1993
166	Suburban Hospital Issue, Series 1993
167	Peninsula Regional Medical Center Issue, Series 1993
168	Howard County General Hospital Issue, Series 1993
169	Frederick Memorial Hospital Issue, Series 1993
170	University of Maryland Medical System, Series 1993B
171	University of Maryland Medical System, Series 1993C
172	Edenwald Issue, Series 1993
173	Kennedy Krieger Institute, Series 1993
174	Washington County Hospital Issue, Series 1994
175	Pooled Loan Program (1994) — Series D
176	Maryland General Hospital Issue, Series 1994
177	University Physicians Issue, Series 1994
178	Kernan Hospital Issue, Series 1994
179	General Electric Capital Corporation Program Notes (Holy Cross Hospital of Silver Spring Incorporated)
180	Mercy Medical Center Issue, Series 1994
181	Washington County Hospital Association
182	Daughters of Charity National Health System — St. Agnes Hospital, Series 1994
183	AHF/Severn, Inc. Issue, Series 1995A
184	AHF/Severn, Inc. Issue, Series 1995B
185	Washington County Hospital Association
186	Kaiser Permanente Revenue Bonds, 1995 Series A
187	Greater Baltimore Medical Center Issue, Series 1995
188	Pooled Loan Program (1995) — Series E
189	Capitol College Issue, Series 1995
190	Helix Health Hospitals Issue, Series A
191	The Johns Hopkins Medical Institutions Parking Facilities Issue, Series 1996
192	Mercy Medical Center Issue, Series 1996
	Total Financed

Date Sold	Type of Sale	Ratings			Amount	
		Fitch's	Moody's	S&P		
May 16, 1991	Credit Enhanced-Public		Aaa	AAA	13,405,000	
May 16, 1991	Credit Enhanced-Public		Aaa	AAA	$ 28,870,000	
June 20, 1991	Credit Enhanced-Public		Aaa	AAA	102,115,000	Partially Defeased
June 20, 1991	Credit Enhanced-Public		Aaa	AAA	38,670,000	Partially Defeased
July 25, 1991	Public		Baa1	BBB	13,460,000	
September 26, 1991	Public		A1	A	48,260,000	Partially Defeased
November 27, 1991	Private-Lease				6,092,454	
January 30, 1992	Public		A1	A	46,490,000	Partially Defeased
February 14, 1992	Private-Lease				3,108,000	Refinanced
May 21, 1992	Public		A	A-	25,775,000	
June 3, 1992	Credit Enhanced-Public		P1		33,384,000	
August 28, 1992	Credit Enhanced-Private				4,325,000	
October 1, 1992	Public		Baa		14,145,000	
October 23, 1992	Credit Enhanced-Public		Aaa	AAA	6,290,000	
October 23, 1992	Credit Enhanced-Public		Aaa	AAA	10,935,000	
November 12, 1992	Credit Enhanced-Public		A2/VMIG-1		12,730,000	
November 24, 1992	Credit Enhanced-Public		Aaa	AAA	31,755,000	
January 28, 1993	Credit Enhanced-Public		Aaa	AAA	46,970,000	
February 2, 1993	Private				7,025,000	Refinanced
March 2, 1993	Credit Enhanced-Public		Aaa	AAA	73,170,000	
March 23, 1993	Credit Enhanced-Private			A+/A-1	9,200,000	
April 29, 1993	Credit Enhanced-Public		Aaa	AAA	29,320,000	
May 27, 1993	Public		A	A	53,100,000	
May 27, 1993	Public		Aa	AA-	82,515,000	
June 4, 1993	Credit Enhanced-Public	AAA	Aaa	AAA	119,425,000	
June 9, 1993	Credit Enhanced-Public		Aaa	AAA	89,505,000	
July 1, 1993	Credit Enhanced-Public		Aaa	AAA	97,810,000	
July 1, 1993	Private		Aa		11,315,000	
July 8, 1993	Public		Baa	BBB-	65,165,000	
July 15, 1993	Credit Enhanced-Public			AAA	21,230,000	
July 23, 1993	Credit Enhanced-Public	AAA	Aaa	AAA	76,425,000	
August 18, 1993	Private				2,108,083	
September 17, 1993	Private		A1		5,100,000	
September 23, 1993	Public		A1	A	63,290,000	
October 14, 1993	Public		A	A	62,510,000	
October 21, 1993	Public		Baa1	BBB	59,025,000	
November 12, 1993	Credit Enhanced-Public	AAA	Aaa	AAA	55,060,000	
December 2, 1993	Private				2,525,000	
December 2, 1993	Private				1,410,000	
December 8, 1993	Public				25,740,000	
December 10, 1993	Private				12,200,000	
January 7, 1994	Credit Enhanced-Public		Aaa	AAA	12,415,000	
March 10, 1994	Private				22,175,000	
June 2, 1994	Credit Enhanced-Public		Aaa	AAA	30,000,000	
June 8, 1994	Private				14,250,000	
June 16, 1994	Credit Enhanced-Public			AAA	19,050,000	
October 3, 1994	Private				1,380,844	
October 19, 1994	Credit Enhanced-Private				6,500,000	Refinanced
November 1, 1994	Private-Lease				626,965	
November 10, 1994	Private				13,200,000	
May 18, 1995	Public				16,230,000	
May 18, 1995	Public				890,000	
May 25, 1995	Private-Lease				1,164,082	
October 11, 1995	Public		Aa3/VMIG-1	AA/A-1+	17,600,000	
October 11, 1995	Credit Enhanced-Private		A1/VMIG-1		10,000,000	
November 14, 1995	Private				5,390,000	
December 28, 1995	Credit Enhanced-Private			A/A-1	8,000,000	
January 30, 1996	Credit Enhanced-Public			A+/A-1	64,900,000	
March 14, 1996	Credit Enhanced-Public		Aaa	AAA	42,425,000	
May 16, 1996	Credit Enhanced-Public		Aaa	AAA	30,000,000	
					$4,593,964,129	

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COMBINED BALANCE SHEET

June 30, 1996 (in thousands of dollars)	General Operating Fund
Assets	
Cash and cash equivalents	$ 21
Investments at carrying value	10,039
Interest receivable	107
Accounts receivable from institutions	
Administrative fees receivable	35
Due from other funds	
Due from others	
Prepaid pension and other expenses	36
Fixed assets (net of accumulated depreciation of $170)	20
Funds reserved for debt service	
Principal and lease payments receivable subsequent to July 1, 1996	
Total assets	10,258
Liabilities and Fund Balances	
Accounts payable and accrued expenses	65
Deposits on financing applications	5
Project cost liability	
Advance payments and deposits from institutions	
Bonds payable (due July 1, 1996)	
Interest payable (due July 1, 1996)	
Due to other funds	
Due to Institution	
Bonds, notes, and lease obligations payable (due subsequent to July 1, 1997)	
Total liabilities	70
Fund balances	
Reserved for debt service	
Reserved for loans under Pooled Loan Program	
Designated for specific projects	
Designated for debt service contingencies	8,389
Unreserved and undesignated	1,799
Designated for arbitrage rebate	
Total Fund Balances	10,188
Total Liabilities and Fund Balances	$10,258

The accompanying notes are an integral part of these financial statements.

Trusteed Funds							
Construction Funds	Program Funds	Debt Service Funds	Debt Service Reserve Funds	Project Reserve Funds	Redemption Funds	Debt Principal Account Group	Total (Memorandum Only)
$ 279	$ 13	$ 82,738	$ 225	$ 20			$ 83,296
91,376	39,434	36,109	138,923	1,129	$1,532		318,542
474	71	145	1,367	5	4		2,173
		1,637		67			1,704
							35
10	8	854	176				1,048
				594			594
							36
							20
						$ 212,778	212,778
						2,101,936	2,101,936
92,139	39,526	121,483	140,691	1,815	1,536	2,314,714	2,722,162
	341	1		322			729
							5
6,105							6,105
		149			200		349
		33,218					33,218
		54,402					54,402
70	8	965	5				1,048
				594			594
						2,314,714	2,314,714
6,175	349	88,735	5	916	200	2,314,714	2,411,164
	38,008	32,748	140,686		1,336		212,778
	1,169						1,169
85,964							85,964
							8,389
							1,799
				899			899
85,964	39,177	32,748	140,686	899	1,336	—	310,998
$92,139	$39,526	$121,483	$140,691	$1,815	$1,536	$2,314,714	$2,722,162

COMBINED STATEMENT OF CHANGES IN TRUSTEED FUND BALANCES

Year Ended June 30, 1996
(in thousands of dollars)

	Construction Funds	Program Funds	Debt Service Funds	Debt Service Reserve Funds	Project Reserve Funds	Redemption Funds	Total (Memorandum Only)
Fund balances, June 30, 1995	$114,456	$15,310	$ 17,671	$145,968	$ 848	$ 148	$294,401
Additions							
Proceeds from sale of bonds and notes:							-
Gross proceeds	97,834	96,208	709	2,813		6,875	204,439
Underwriters' discount	(564)						(564)
Original issuance discount	(1,808)						(1,808)
Issuance premium	(1,325)						(1,325)
Interest accrued to date of delivery			311				311
Payments and contributions received from and on behalf of institutions:							
Lease and loan payments			51,174	187			51,361
Debt service — interest			111,316	13			111,329
Assessment from area hospitals						2,196	2,196
Equity contribution from institution	833			732	(526)		1,039
Income from investments	5,276	1,146	3,358	5,509	66	15	15,370
Total additions	100,246	97,354	166,868	9,254	(460)	9,086	382,348
Deductions							
Project and financing costs	92,512	5,175	29			58	97,774
Loans to institutions		64,874					64,874
Debt service (including July 1, 1996 installments funded at June 30, 1996):							
Principal			50,531				50,531
Interest			124,278				124,278
Required payments to institutions	355	16	297	1,506			2,174
Arbitrage rebate expense					(387)		(387)
Transfers to escrow deposit agents	26,408		1,543	1,869		6,875	36,695
Total deductions	119,275	70,065	176,678	3,375	(387)	6,933	375,939
Interfund transfers:							
Transfers to other issues	(11,239)	(9,792)	24,249	(3,218)			—
Other required transfers	1,776	6,370	638	(7,943)	124	(965)	—
Total interfund transfers	(9,463)	(3,422)	24,887	(11,161)	124	(965)	—
Fund balances, June 30, 1996	$ 85,964	$39,177	$ 32,748	$140,686	$ 899	$ 1,336	$300,810

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS AND CHANGES IN GENERAL OPERATING FUND BALANCE

Years Ended June 30, 1996 and 1995
(in thousands of dollars)

	1996	1995
OPERATING REVENUES		
Annual administrative fees	$ 731	$ 712
Application fees	75	50
Income from investments	552	515
	1,358	1,277
OPERATING EXPENSES		
Salaries	355	342
Employees' insurance, pension and other fringe benefits	67	59
Payroll taxes	26	23
Professional fees	347	316
Office rent	32	33
Office supplies and expenses	65	52
Depreciation	8	12
	900	837
Excess of revenues over expenses	458	440
Fund balance, beginning of year	9,730	9,290
Fund balance, end of year	$10,188	$9,730

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE GENERAL OPERATING FUND

Years Ended June 30, 1996 and 1995
(in thousands of dollars)

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 458	$ 440
Add: items not affecting cash flows		
Depreciation	8	11
(Increase) decrease in operating assets:		
Interest receivable	6	(21)
Administrative fees receivable	(33)	26
Prepaid expenses	1	1
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3	4
Total adjustments	(15)	21
Cash flows provided by operating activities	443	461
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,291)	(9,455)
Sale of investments	10,873	8,995
Purchase of fixed assets	(8)	(2)
Cash flows provided (used) by investing activities	(426)	(462)
Net increase (decrease) in cash	17	(1)
Cash, beginning of year	4	5
Cash end of year	$ 21	$ 4

The accompanying notes are an integral part of these financial statements.

Organization, Accounting Policies and Funds and Accounts

Organization

The Maryland Health and Higher Educational Facilities Authority (the Authority) was established to assist institutions for higher education, hospitals and related health care institutions in construction, financing and refinancing of projects approved by the Authority. Income of the Authority is derived from fees from institutions that have had financing provided by the Authority. Neither the State of Maryland, nor any political subdivision thereof, nor the Authority shall be obligated to pay the principal or interest on bonds and notes issued by the Authority except from the revenues of the related projects. Neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Authority is pledged to the payment of the principal or interest on bonds and notes outstanding. The Authority is exempt from federal and state income taxes. The Authority has no taxing power.

Accounting Policies

Basis of financial statements — The accompanying financial statements are prepared on the accrual basis of accounting.

Investments — Money market accounts and guaranteed investment contracts (included in "Trusts for U.S. Government Securities and other authorized investments" category) are carried at their net asset value. All other investments are carried at amortized cost. Interest income is accrued on coupon securities from the last coupon date or purchase date and for discounted securities (e.g., U.S. Treasury Bills) on the level yield method. Investments are purchased to mature based on cash flow needs (e.g., project costs). However, investments may be liquidated in the event of an unanticipated refunding of an issue or if there are unanticipated cash flow needs.

Market values of investment securities are based on quoted market prices. The market value of repurchase agreements are based on the contract value. The Authority typically invests in repurchase agreements with maturities of 30 days or less.

Collateralized Repurchase Agreements — Collateralized repurchase agreements are carried at the value at which the collateral securities will be subsequently resold as specified in the respective agreements plus accrued interest. The market value of the collateral exceeds the carrying value of the collateralized repurchase agreement by at least 102%, as required by the applicable bond resolutions and indentures of trust. It is the Authority's policy to have such underlying collateral deposited in the Authority's account at the Trustee bank.

Fixed Assets — Furniture and equipment are recorded at cost. Depreciation is provided on a straight line basis over the asset's estimated useful life. Estimated useful lives are as follows:

- Furniture and fixtures . . . . . 5 to 10 years
- Computer equipment . . . . . 1 to 5 years
- Office equipment . . . . . 5 to 10 years
- Automobiles . . . . . 5 years

Funds and Accounts

The Authority maintains books of accounts for the General Operating Fund, the Debt Principal Account Group and the required Trusteed Funds of each of the issues of bonds and notes outstanding. Trusteed Funds are maintained in accordance with the requirements of the respective bond and note issue documents. The financial statements combine the accounts of all bond and note issues outstanding during the year.

Following is a description of the Funds:

General Operating Fund — Account for the general administrative operations of the Authority, reflecting fee income and related expenses. The Authority has waived 75% of its annual administrative fee chargeable to borrowing institutions in 1996 and 1995. The undesignated balance of the General Operating Fund is maintained at two times the annual operating expenses of the Authority with any remaining amount designated annually to a fund for debt service contingencies, subject to a limitation of 1% of the total outstanding indebtedness of the Authority. At June 30, 1996, the balance allocated to this reserve fund was $8,389,000.

Construction Funds — Account for the receipt and disbursement of monies for project costs arising from construction and equipment purchases for the institutions. All Construction and Additional Facilities Funds are included as Construction Funds.

Program Funds — Account for the receipt and disbursement of monies under the Authority's Pooled Loan Program.

Debt Service Funds — Account for the receipt and disbursement of monies for the payment of interest and principal on bonds and notes. All Debt Service, Principal Amortization, Project Gift, Bond, Principal (Hospital Equipment Loan Program Issue only), Special Principal Payment Funds and Revenue Funds (primarily clearing accounts) are included as Debt Service Funds.

Debt Service Reserve Funds — Account for the receipt and disbursement of monies held in reserve in compliance with certain bonds resolutions. The fund balances are generally required to be maintained at an amount equal to the greatest amount of principal and interest payable in the then current or any future bond year. At June 30, 1996, the fund balances of all issues requiring Debt Service Reserve Funds were in compliance with their respective bond resolutions.

Project Reserve Funds — Account for the receipt and disbursement of monies held in reserve and are, in general, used should major repairs to a project be necessary. The fund balances are established by the bond resolutions of certain issues. At June 30, 1996, the fund balances of all issues requiring Project Reserve Funds were in compliance with their respective bond resolutions. All Renewal and Replacement, Continuing Care Reserve, Loan Reserve, Depreciation Reserve Funds and Arbitrage Rebate Funds are included as Project Reserve Funds.

Redemption Funds — Account for the accumulation of monies not required by other funds for the eventual redemption or repurchase of bonds.

Debt Principal Account Group — Account for the noncurrent portions of bonds, notes, and lease obligations payable and the principal and lease payments receivable from the institutions. The terms of the lease and loan agreements between the Authority and the institutions require payments in amounts necessary to service the interest and principal of the related bonds, notes, and lease obligations outstanding. The principal and lease payments receivable from the institutions represent the minimum amount necessary, when combined with balances available within trusteed funds, to liquidate the principal portion of the related bonds, notes, and lease obligations outstanding.

Investments

NOTE 2

The composition of the investments of the funds, at amortized cost, at June 30, 1996, is as follows (in thousands of dollars):

	General Operating Fund	Construction Fund	Program Fund	Debt Service Fund	Debt Service Reserve Fund	Project Reserve Fund	Redemption Fund
Certificates of Deposit	$ 260						
Collateralized Repurchase Agreements		$46,619					
U.S. Treasury Bills	727	18,163	$ 849	$ 1,246	$ 1,940		
U.S. Treasury Notes and Bonds	5,528	197	1,050		55,902	$ 224	
U.S. Treasury STRIPS					3,148		
Obligations of U.S. Government Corporations and Agencies	1,520	21,702			60,171		
Trusts for U.S. Government Securities and Other Authorized Investments	2,004	4,695	37,535	34,863	17,762	905	$1,532
Total Carrying Value	$10,039	$91,376	$39,434	$36,109	$138,923	$1,129	$1,532
Market Value	$10,047	$91,513	$39,441	$36,113	$137,443	$1,131	$1,532

The carrying value and estimated market values of investments of all funds are as follows (in thousands of dollars):

	Carrying Value	Gross Unrealized Losses	Gross Unrealized Gains	Estimated Market Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$172,367	$2,092	$ 768	$171,043
Other investments	146,175		2	146,177
Total	$318,542	$2,092	$ 770	$317,220

The following table presents the carrying amount of investments by type and category to give an indication of the level of risk assumed by the Authority at June 30, 1996.

Investment Type	Category I	Category II	Category III	Carrying Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$172,367			$172,367
Other investments	62,227	$83,948		146,175
Total	$234,594	$83,948	—	$318,542

The three risk categories are defined as follows: (I) Insured, registered or securities held by the entity or its agent (bank trust department) in entity's name (name of the Authority). (II) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name. (III) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

The carrying value and estimated market value of investments at June 30, 1996, by contractual maturity, are shown below (in thousands of dollars). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Estimated Market Value
Due in one year or less	$148,542	$148,822
Due after one year through five years	86,045	85,001
Due after five years through ten years	27,031	26,473
Due after ten years	56,924	56,924
	$318,542	$317,220

Proceeds from sales of investments during 1996 were $14,878,940. Gross gains of $1,532,834 and no gross losses were realized on those sales.

NOTE 3 Bonds, Notes and Lease Obligations Payable

In general, bonds mature serially in varying annual installments. Certain issues include term bonds payable from annual sinking fund requirements. Notes represent temporary financings to provide institutions with interim construction funds until permanent financings are arranged through the sale of long-term bonds. On July 1, 1996, all amounts related to debt service requirements at June 30, 1996 were liquidated.

The Authority generally holds titles to or has first mortgages on the buildings and related facilities financed by the bonds and utilized by the institutions. The lease and loan payments receivable from the institutions generally correspond to the amortization of the respective bond and note issues. Titles to and first mortgages on the buildings and related facilities revert to the institutions upon final payment of the respective bond issues.

Under the Authority's Capital Lease Financing programs, approved institutions may borrow funds to finance eligible equipment purchases. Repayment of funds disbursed to participating institutions are collateralized by the individual obligations of the institution and by security interests in the equipment purchased. The leases under these programs are recorded as financing leases.

As of June 30, 1996, bonds and notes outstanding were as follows (in thousands of dollars):

SERIES	FINAL MATURITY	AMOUNT ISSUED	BONDS AND NOTES PAYABLE JULY 1, 1996	BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 1996
Johns Hopkins University Issue, Series 1983, dated January 1, 1983	2013	$ 42,480*	$ 680	$ 31,345
Johns Hopkins University Issue, Series 1985A, dated July 1, 1985	2010	10,660*	—	10,660
Loyola College Issue, Series 1985, dated July 1, 1985	2010	35,500	—	24,300
Pooled Loan Program Issue, Series 1985A and 1985B, dated December 1, 1985	2035	175,000	—	175,000
Greater Baltimore Medical Center Issue, Series 1986, dated July 1, 1986	1996	5,655*	700	-0-
Washington County Hospital Issue, Series 1987, dated January 1, 1987	1997	10,010*	—	975
Harford Memorial Hospital and Fallston General Hospital Issue, Series 1987, dated July 1, 1987	2014	26,900	550	22,970
Memorial Hospital of Cumberland Issue, Series 1987, dated July 1, 1987	1997	2,205*	380	410
Suburban Hospital Issue, Series 1988, dated January 1, 1988	1998	2,675*	305	675
Johns Hopkins University Issue, Series 1988, dated January 1, 1988	2020	210,405	4,720	198,205
Church Hospital Issue, Series 1988, dated January 1, 1988	2013	20,135	480	17,005
North Arundel Hospital Issue, Series 1988, dated July 1, 1988	1998	2,805*	385	850
Baltimore County General Hospital Issue, Series 1988, dated July 1, 1988	2000	5,600*	500	2,360
The Johns Hopkins Hospital Issue, Series 1988, dated July 1, 1988	2009	69,435	3,125	45,855
Franklin Square Hospital Issue, Series 1989, dated January 1, 1989	2020	29,278	590	26,003
Roland Park Place Issue, Series 1989, dated July 1, 1989	2012	35,420	870	30,500
Memorial Hospital at Easton Issue, Series 1989A, dated July 1, 1989	2019	9,035	100	8,515
Memorial Hospital at Easton Issue, Series 1989B, dated July 1, 1989	2019	25,520	430	23,315
Broadmead Issue, Series 1989, dated July 1, 1989	2010	14,000	265	9,550
Sinai Hospital of Baltimore Issue, Series 1990, dated January 1, 1990	2000	9,850*	1,145	5,400
The Johns Hopkins Hospital Issue, Series 1990, dated January 1, 1990	2019	21,204*	470	20,349
Francis Scott Key Medical Center Issue, Series 1990, dated July 1, 1990	2000	7,505*	1,130	5,310
Baltimore County General Hospital Issue, Series 1991, dated January 1, 1991	2001	2,195*	225	1,355
The Union Memorial Hospital Issue, Series 1991A, dated January 1, 1991	2021	13,405	205	12,545
The Union Memorial Hospital Issue, Series 1991B, dated January 1, 1991	2021	28,870	440	27,020
University of Maryland Medical System Issue, Series 1991A, dated January 1, 1991	2001	14,580*	1,505	9,015
University of Maryland Medical System Issue, Series 1991B, dated January 1, 1991	2022	29,970*	—	29,970
Kennedy Institute Issue, Series 1991, dated July 1, 1991	2022	13,460	175	12,825
Greater Baltimore Medical Center Issue, Series 1991, dated July 1, 1991	2021	16,915*	545	15,375
Suburban Hospital Issue, Series 1992, dated January 1, 1992	2002	6,375*	700	5,005
Memorial Hospital of Cumberland Issue, Series 1992, dated January 1, 1992	2017	25,775	200	25,110

**Net of principal amount defeased.*

PUBLIC OFFERINGS

SERIES	FINAL MATURITY	AMOUNT ISSUED	BONDS AND NOTES PAYABLE JULY 1, 1996	BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 1996
Pooled Loan Program, Commercial Paper Series C, dated June 1, 1992	2015	$ 33,384	$ 954	$ 32,330
Union Hospital of Cecil County Issue, Series 1992, dated July 1, 1992	2022	14,145	210	13,620
Washington County Hospital Endowment Issue, Series 1992A, dated July 1, 1992	2022	6,290	—	6,290
Washington County Hospital Endowment Issue, Series 1992B, dated July 1, 1992	2018	10,935	—	10,935
North Arundel Hospital, Series 1992B, dated July 1, 1992	2024	12,730	200	12,200
North Arundel Hospital Issue, Series 1992, dated July 1, 1992	2021	31,755	185	31,225
Mercy Medical Center Issue, Series 1993, dated January 1, 1993	2022	46,970	685	44,935
Anne Arundel Medical Center Issue, Series 1993, dated January 1, 1993	2023	73,170	900	71,415
Baltimore County General Hospital Issue, Series 1993, dated January 1, 1993	2013	29,320	400	28,260
Good Samaritan Hospital Issue, Series 1993, dated January 1, 1993	2019	53,100	1,120	49,860
The Johns Hopkins Hospital Issue, Series 1993, dated January 1, 1993	2023	82,515	—	82,515
University of Maryland Medical System Issue, Series 1993, dated January 1, 1993	2023	119,425	—	119,425
Sinai Hospital Issue, Series 1993, dated January 1, 1993	2023	89,505	—	89,505
Francis Scott Key Medical Center Issue, Series 1993, dated January 1, 1993	2023	97,810	—	97,810
Doctors Community Hospital Issue, Series 1993, dated July 1, 1993	2024	65,165	135	64,775
Montgomery General Hospital Issue, Series 1993, dated July 1, 1993	2023	21,230	365	20,865
Greater Baltimore Medical Center Issue, Series 1993, dated July 1, 1993	2019	76,425	500	75,925
Suburban Hospital Issue, Series 1993, dated July 1, 1993	2021	63,290	—	63,290
Peninsula Regional Medical Center Issue, Series 1993, dated July 1, 1993	2023	62,510	1,105	60,080
Howard County General Hospital Issue, Series 1993, dated July 1, 1993	2025	59,025	840	56,805
Frederick Memorial Hospital Issue, Series 1993, dated July 1, 1993	2028	55,060	700	53,680
Edenwald Issue, Series 1993, dated July 1, 1993	2014	25,740	—	24,140
Kennedy Krieger Institute, Series 1993D, dated July 1, 1993	2023	12,200	100	12,100
Washington County Hospital Issue, Series 1994, dated January 1, 1994	2009	12,415	—	11,885
Maryland General Hospital Issue, Series 1994, dated January 1, 1994	2024	30,000	415	29,185
Kernan Hospital Issue, Series 1994, dated January 1, 1994	2024	19,050	290	18,760
AHF/Severn Inc. Issue, Series 1995A, dated January 1, 1995	2025	16,230	—	16,230
AHF/Severn Inc. Issue, Series 1995B, dated January 1, 1995	2006	890	—	890
Kaiser Permanente Revenue Bonds, 1995 Series A, dated July 1, 1995	2015	17,600	—	17,600
The Johns Hopkins Medical Institutions Parking Issue, dated January 1, 1996	2026	42,425	—	42,425
Mercy Medical Center Issue, Series 1996, dated January 1, 1996	2026	30,000	—	30,000
Public Offerings Outstanding		$ 2,298,031	$30,324	$ 2,151,232

*Net of principal amount defeased.

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PRIVATE PLACEMENTS

SERIES	FINAL MATURITY	AMOUNT ISSUED	BONDS AND NOTES PAYABLE JULY 1, 1996	BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 1996
Kent and Queen Anne's Hospital Issue, Series A, dated July 1, 1976	2001	$ 650	$ 34	$ 171
Loyola College Issue (Student Apartment Project), Series A, dated July 1, 1977	1999	1,150	41	221
Mount Saint Mary's College Issue (Student Housing Project), Series A, dated January 1, 1979	2009	3,000	—	1,490
Johns Hopkins University Issue (School of Medicine Projects—1979), Series A, dated January 1, 1979	2009	12,200	—	5,045
Homewood Retirement Center Issue, Series A, dated July 1, 1979	2004	3,000	—	1,626
Johns Hopkins University Issue (Applied Physics Laboratory Project), Series C, dated July 15, 1981	1996	3,250	—	132
Homewood Retirement Center Issue, Series B, dated July 1, 1981	2005	7,475	31	3,111
Johns Hopkins University Issue (Applied Physics Laboratory Project), Series D, dated July 15, 1982	1997	7,000	—	893
Johns Hopkins University Issue (APL/STScI Project), Series 1985, dated June 25, 1985	2000	10,400	200	4,000
Deaton Hospital and Medical Center Issue, Series A, dated July 1, 1985	2008	15,600	43	11,629
Johns Hopkins University Issue (Applied Physics Laboratory Project — Building 13), Series 1985, dated December 31, 1985	2001	15,000	250	4,500
St. Agnes Hospital Issue, Series 1987, dated July 1, 1987	2013	34,000	700	29,400
Mediantic Long-Term Care Corporation Issue, Series 1989, dated January 1, 1989	2014	3,800	—	3,635
The Johns Hopkins Hospital, Lease, dated November 1, 1991	1996	6,092	—	1,408
Carroll County General Hospital, Series 1992A, dated July 1, 1992	1999	4,325	615	2,060
Leland Memorial Hospital, Series 1993A, dated January 1, 1993	1999	9,200	—	3,220
Francis Scott Key Medical Center Issue, Series 1993, dated January 1, 1993	2025	11,315	—	11,315
General Electric Medical System Program Revenue Notes (Harbor Hospital Center), dated August 18, 1993	1998	2,108	—	940
Greater Baltimore Medical Center Issue, Series 1993, dated July 1 1993	1998	5,100	500	2,100
University of Maryland Medical System, Series 1993B, dated November 15, 1993	2008	2,525	—	2,345
University of Maryland Medical System, Series 1993C, dated November 15, 1993	2013	1,410	—	1,360
Pooled Loan Program (1994), Series D, dated January 1, 1994	1999	22,175	400	20,915
University Physicians Issue, Series 1994, dated June 8, 1994	2014	14,250	230	13,790
General Electric Capital Corporation Program Notes, Holy Cross Hospital of Silver Spring, Incorporated Issue, Series 1994A, dated October 4, 1994	1999	1,381	—	938
Washington County Hospital Association, Lease, dated November 1, 1994	1999	627	—	408
Daughters of Charity National Health System — St. Agnes Hospital, Series 1994, dated July 1, 1994	2019	13,200	300	12,600
Washington County Hospital Association, Lease, dated November 1, 1994	2000	1,164	—	873
Greater Baltimore Medical Center Issue, Series 1995, dated July 1, 1995	2025	10,000	—	10,000
Pooled Loan Program (1995), Series E, dated July 1, 1995	2025	5,390	—	5,390
Capital College Issue, Series 1995, dated July 1, 1995	2020	8,000	—	8,000
Helix Health Hospitals Issue, Series A, dated January 1, 1996	2026	64,900	400	64,500
Private Placements Outstanding		299,687	3,344	163,515
Total Outstanding		$ 2,532,818	$33,668	$ 2,314,747

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NOTE 4

POOLED LOAN PROGRAM — SERIES 1985A/1985B

During fiscal 1986 the Authority issued $175,000,000 of its Revenue Bonds, Pooled Loan Program Issue. As of June 30, 1996, there were $132,99[illegible]897 of outstanding loans receivable under the Program to eight different institutions. During the year ended June 30, 1996, $16,453,245 of new loans were drawn and $24,592,475 of loan principal was repaid. Unfunded loan commitments totalled $5,205,627 at June 30, 1996.

POOLED LOAN PROGRAM — SERIES 1989C

As of June 30, 1996, there were $33,284,000 of outstanding loans receivable under this program to one institution. During the year ended June 30, 1996, $13,764,000 of new loans were drawn and $100,000 of loan principal was repaid. Commitments for authorized and undrawn loans at June 30, 1996 amounted to $6,616,000.

POOLED LOAN PROGRAM — SERIES D

As of June 30, 1996 there were $21,315,000 of outstanding loans receivable under this program to six institutions. During the year ended June 30, 1996, $12,360,000 of new loans were drawn and $480,000 of loan principal was repaid. Commitments for authorized and undrawn loans at June 30, 1996 amounted to $5,215,000.

POOLED LOAN PROGRAM — SERIES E

As of June 30, 1996 there were $5,390,000 of outstanding loans receivable under this program to one institution. During the year ended June 30, 1996 $5,390,000 of new loans were drawn. Commitments for authorized and undrawn loans at June 30, 1996 amounted to $2,110,000.

NOTE 5

ARBITRAGE EARNINGS

Pursuant to the Tax Reform Act of 1986, certain arbitrage investment earnings related to bonds issued subsequent to December 31, 1985 are required to be rebated to the federal government at the end of five years in order to maintain tax-exempt status. The indentures for applicable bond issues require that any arbitrage earnings rebate be funded by the affected institution. Rebates are accrued at the end of five years when the liability is determined. Rebates accrued at June 30, 1996 amounted to $321,968 and were accounted for in the Project Reserve Fund.

NOTE 6

COMMITMENTS AND CONTINGENCIES

At June 30, 1996, commitments under firm contracts for construction, which may be assignable to the Authority, are open for construction of various projects. In the opinion of the Authority, amounts in the respective Construction Funds for these projects, together with anticipated investment earnings available for payment of project costs, should be sufficient to meet the Authority's pro-rata share of open contractual obligations for the respective projects.

Fixed Assets

NOTE 7

Fixed asset balances at June 30, 1996 are as follows:

Furniture and fixtures	$ 40
Computer equipment	103
Office equipment	21
Automobiles	26
	190
Less: accumulated depreciation	(170)
	$ 20

Pension Plan

NOTE 8

The Authority's employees participate in the Maryland State Retirement and Pension System. The Authority's contribution is based upon a percentage of annual gross wages paid to the employees. Employees of the Authority also make a contribution for pension benefits; the percentage range of contributions, as determined by the Pension System is 5-7% for 1996 and 1995. The Authority's pension expense for 1996 and 1995 amounted to $30,308 and $25,679, respectively, and is included in the operating fund.

The Maryland State Retirement and Pension System's Plan Information is publicly available from the Maryland State Retirement Agency.

Related Parties

NOTE 9

The Authority requires board members to abstain from voting on any project resolution of the board member has any vested business interest in the project. There were no related party payments made to the board members during the year ended June 30, 1996 and 1995.

NOTE 10

DEFEASED ISSUES

The Authority has issued bonds in prior years for the purpose of refunding bond issues that were outstanding. The proceeds of the refunding bonds were deposited into irrevocable escrow trusts. The trusts are held by independent trustees and are invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust funds, as well as the defeased bonds are not reflected in the financial statements of the Authority.

Defeased bonds outstanding at June 30, 1996 are as follows (in thousands of dollars):

Anne Arundel General Hospital Issue, Series 1988	$ 17,135
Baltimore County General Hospital Issue, Series 1988*	14,560
Baltimore County General Hospital Issue, Series 1991*	5,680
Bon Secours Heartlands Issue, Series 1987A	5,900
Doctors' Community Hospital Issue, Series 1990	41,940
Franklin Square Hospital Issue, Series A	12,740
Good Samaritan Hospital Issue, Series 1989	24,506
Greater Baltimore Medical Center Issue, Series A	1,525
Greater Baltimore Medical Center Issue, Series 1986*	32,675
Greater Baltimore Medical Center Issue, Series 1991*	31,345
Holy Cross Hospital Issue, Series 1990-A	29,900
Howard County General Hospital Issue, Series A	10,815
Howard County General Hospital Issue, Series 1987	19,305
Howard County General Hospital Issue, Series 1988	7,695
The Johns Hopkins Hospital Redevelopment Issue, 1979 Series	48,750
The Johns Hopkins Hospital Issue, Series 1990*	68,965
Johns Hopkins University Issue, Series 1985A*	32,053
Francis Scott Key Medical Center Issue, Series A	10,000
Francis Scott Key Medical Center Issue, Series 1990*	81,750
Memorial Hospital of Cumberland Issue, Series 1987*	22,350
Mercy Hospital Issue, Series A	1,245
Mercy Hospital Issue, Series 1989	28,365
Mercy Medical Center Issue, Series 1994	6,500
North Arundel Hospital Issue, Series 1988*	27,430
North Charles General Hospital Issue, Series A	8,495
Sinai Hospital of Baltimore Issue, Series 1990*	60,330
Suburban Hospital Issue, Series A	2,020
Suburban Hospital Issue, Series 1988*	15,805
Suburban Hospital Issue, Series 1992*	40,115
Union Memorial Hospital Issue, Series A	2,780
University of Maryland Medical System Issue, Series A	24,900
University of Maryland Medical System Issue, Series 1991A*	87,535
University of Maryland Medical System Issue, Series 1991B*	8,700
Washington County Hospital Issue, Series 1987*	11,330
	$ 845,139

**Partially defeased*

Coopers
&Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

To the Members of the Maryland Health
and Higher Educational Facilities Authority

We have audited the combined balance sheet of the Maryland Health and Higher Educational Facilities Authority as of June 30, 1996, and the related combined statement of changes in trusteed fund balances for the year then ended. and the statements of operations and changes in general operating fund balance and cash flows of the general operating fund for the years ended June 30, 1996 and 1995. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Health and Higher Educational Facilities Authority as of June 30, 1996, the changes in trusteed fund balances for the year ended June 30, 1996, and the results of its operations and its general operating fund cash flows for the years ended June 30, 1996 and 1995 in conformity with generally accepted accounting principles.

Coopers & Lybrand

Baltimore, Maryland
September 27, 1996

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SYCHIATRIC CENTER • CARVER MEMORIAL HOSPITAL • CAPITOL COLLEGE • CAPITOL INSTITUTE O

HURCH HOSPITAL • COLLINGTON EPISCOPAL LIFE CARE COMMUNITY • DAUGHTERS OF CHARITY

OCTORS COMMUNITY HOSPITAL • EDENWALD • FAIRFAX GENERAL HOSPITAL • FRANKLIN SQU

AMARITAN HOSPITAL • GOUCHER COLLEGE • GREATER BALTIMORE MEDICAL CENTER • HARBO

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